

FINANCIAL STATEMENTS, REQUIRED  
SUPPLEMENTARY INFORMATION AND  
SUPPLEMENTARY INFORMATION

New York City Economic Development Corporation  
(a component unit of The City of New York)  
Years Ended June 30, 2015 and 2014  
With Report of Independent Auditors

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Financial Statements, Required Supplementary Information,  
and Supplementary Information

Years Ended June 30, 2015 and 2014

**Contents**

**I. Financial Section**

Report of Independent Auditors.....1

Financial Statements

Management’s Discussion and Analysis .....4

Statements of Net Position.....12

Statements of Revenues, Expenses, and Changes in Net Position .....13

Statements of Cash Flow .....14

Notes to Financial Statements.....16

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Care Plan .....42

Supplementary Information

Combining Statement of Revenues, Expenses, and Changes in Net Position .....43

**II. Government Auditing Standards Section**

Report of Independent Auditors on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards*.....44

Schedule of Findings and Responses.....46



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## Report of Independent Auditors

The Management and the Board of Directors  
New York City Economic Development Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the NYCEDC's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEDC as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2015, on our consideration of the NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance.

*Ernst + Young LLP*

September 30, 2015

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2015 and 2014

This section of New York City Economic Development Corporation's (NYCEDC or the Corporation) annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the financial statements and accompanying notes.

**Fiscal Year 2015 Financial Highlights**

Net Position: \$326 million

- Cash, cash equivalents and investments increased \$19 million (or 4%)
- Due from The City decreased \$41 million (or 10%)
- Loan and mortgage receivables decreased \$16 million (or 43%)
- Tenants and other receivable decreased \$13 million (or 22%)
- Accounts payable and accrued expenses decreased \$23 million (or 10%)
- Tenant security and deposits payables increased \$13 million (or 63%)
- Unearned revenue decreased \$19 million (or 10%)

Change in Net Position: (\$25) million

- Reimbursable grants decreased \$134 million (or 22%)
- Other income increased \$35 million (or 150%)
- Real estate sales decreased \$59 million (or 95%)
- Program and project costs decreased \$102 million (or 17%)
- Contract and other expenses to The City decreased \$31 million (or 25%)

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Overview of the Financial Statements**

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements and footnote disclosures, required supplementary information* and *supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of The City of New York (The City). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Corporation.

These statements are presented in a manner similar to a private business. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

**Financial Analysis of the Corporation**

**Statements of Net Position**

The following table summarizes NYCEDC's financial position at June 30, 2015, 2014, and 2013 (dollars in thousands) and the percentage changes between June 30, 2015 and 2014:

|                                  | 2015              | 2014       | 2013       | % Change<br>2015–2014 |
|----------------------------------|-------------------|------------|------------|-----------------------|
| Current assets                   | \$ 575,667        | \$ 640,408 | \$ 670,583 | (10)%                 |
| Non-current assets               | 370,483           | 351,571    | 377,876    | 5%                    |
| Total assets                     | <u>946,150</u>    | 991,979    | 1,048,459  | (5)%                  |
| Current liabilities              | 292,731           | 302,625    | 298,786    | (3)%                  |
| Non-current liabilities          | 327,669           | 338,337    | 425,670    | (3)%                  |
| Total liabilities                | <u>620,400</u>    | 640,962    | 724,456    | (3)%                  |
| Net position:                    |                   |            |            |                       |
| Restricted                       | 83,575            | 90,687     | 93,271     | (8)%                  |
| Unrestricted                     | 222,380           | 246,677    | 216,117    | (10)%                 |
| Net investment in capital assets | 19,795            | 13,653     | 14,615     | 45%                   |
| Total net position               | <u>\$ 325,750</u> | \$ 351,017 | \$ 324,003 | (7)%                  |

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

During fiscal year 2015, total assets decreased \$46 million or 5%. This decrease is primarily due to the \$41 million decrease in amounts due from The City, reflecting both a \$29 million decrease in receivables, largely due to the use of prepaid funds received from the City and a \$15 million decrease in receivables from federally funded Community Development Block Grant (CDBG) projects. In addition, loan and mortgage receivables decreased \$16 million due to two major loan repayments from Crescent 110 Equities, LLC and FC Hanson Associates. Other receivables decreased \$9 million resulting from the use of an advance payment for the High Line project. These decreases were offset by a \$19 million increase in cash, cash equivalents, and investments largely due to the above mentioned loan repayments.

Total liabilities decreased \$21 million or 3%, primarily the result of a \$23 million decrease in accounts payable and accrued expenses and a \$19 million decrease in unearned revenues. The decrease in accounts payable and accrued expenses is due to the winding down of various capital projects and CDBG projects. The decrease in unearned revenues is mainly related to the above mentioned recognition of unearned revenues for various capital project receivables and the recognition of unearned revenues for the 38<sup>th</sup> Street Waterside Piers fund. These decreases were partially offset by the addition of \$18 million in tenant security and escrow deposits from the Pre-Development Agreement with Coney Island Holdings and deposits received on pending sales of real estate for Brooklyn Public Library.

The Corporation's overall net position during fiscal year 2015 decreased \$25 million or 7% as a result of the fiscal year operating activities. This decrease consisted of \$24 million in unrestricted net position and \$7 million in restricted net position, which was offset a \$6 million increase to net investments in capital assets.



New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Prior Year**

During fiscal year 2014, total assets decreased \$4 million primarily due to a \$32 million decrease in cash, cash equivalents, and investments. These decreases were partially offset by a \$17 million increase in amounts due from The City, and a \$7 million increase in loan and mortgage receivables. The decrease in cash, cash equivalents, and investments was mainly due to the following disbursements: High Line Park development of \$12 million, Water Siphon project of \$12 million, and \$9 million mortgage proceeds to The City for a prior year property sale at Columbus Circle. The increase in amounts due from The City of \$17 million is largely due to \$40 million of increased receivables from federally funded CDBG projects. The increase in loan and mortgage receivables was due to a \$10.5 million mortgage note received from Crescent 110 Equities, LLC for the sale of property on 110<sup>th</sup> Street in Manhattan.

Total liabilities decreased \$31 million or 4% primarily due to a \$26 million decrease in unearned revenues and a \$7 million decrease in real estate obligations. The decrease in unearned revenues of \$26 million primarily related to the aforementioned payments made for the High Line Park and the Water Siphon project. The \$7 million decrease in real estate obligations is the result of a \$6 million payment to The City for Columbus Circle.

The Corporation's overall net position during fiscal year 2014 increased \$27 million or 8% as a result of the fiscal year operating activities. This increase consisted of \$31 million in unrestricted net position, which was offset by decreases of \$3 million and \$1 million in restricted net position and net investments in capital asset, respectively.

**Operating Activities**

NYCEDC is The City's primary engine for economic development charged with leveraging The City's assets to drive growth, create jobs, and improve the overall quality of life within The City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2015, 2014, and 2013 (dollars in thousands) and the percentage changes between fiscal years 2015 and 2014:

|                                       | 2015              | 2014       | 2013       | % Change<br>2015-2014 |
|---------------------------------------|-------------------|------------|------------|-----------------------|
| Operating revenues:                   |                   |            |            |                       |
| Grants                                | \$ 461,497        | \$ 595,237 | \$ 611,471 | (22)%                 |
| Real estate sales, property rentals   | 180,342           | 251,036    | 202,611    | (28)%                 |
| Fees and other income                 | 71,525            | 42,217     | 41,203     | 69%                   |
| Total operating revenues              | <u>713,364</u>    | 888,490    | 855,285    | (20)%                 |
| Operating expenses:                   |                   |            |            |                       |
| Project and program costs             | 511,029           | 613,042    | 621,836    | (17)%                 |
| Property rental expenses              | 62,335            | 53,090     | 46,322     | 17%                   |
| Personnel services                    | 48,394            | 46,342     | 46,187     | 4%                    |
| Contract expenses to The City         | 94,583            | 125,872    | 124,442    | (25)%                 |
| Office rent and other expenses        | 25,685            | 19,144     | 21,887     | 34%                   |
| Total operating expenses              | <u>742,026</u>    | 857,490    | 860,674    | (13)%                 |
| Operating income (loss)               | <u>(28,662)</u>   | 31,000     | (5,389)    | (192)%                |
| Total non-operating income (expenses) | <u>3,395</u>      | (3,986)    | 1,931      | (185)%                |
| Change in net position                | <u>(25,267)</u>   | 27,014     | (3,458)    | (194)%                |
| Total net position, beginning of year | <u>351,017</u>    | 324,003    | 327,461    | 8%                    |
| Total net position, end of year       | <u>\$ 325,750</u> | \$ 351,017 | \$ 324,003 | (7)%                  |

During fiscal year 2015, operating revenues decreased \$175 million or 20%, partly due to lower reimbursable grants of \$134 million as a result of capital projects winding down. In addition, real estate sales decreased \$59 million and property rentals decreased \$12 million as a result of the sale of several rental properties by the City during the fiscal year. These decreases were partially offset by an increase in other income of \$35 million due to a \$22 million reimbursement from The City for the defeasance of Brookdale campus bonds and \$9 million in developer contributions for the above mentioned 38<sup>th</sup> Street Waterside Piers fund.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

Operating expenses during fiscal year 2015 decreased by \$115 million. Project and program costs decreased by \$102 million related to the wind-down of various capital projects including the Gold Water, Education Alliance, SUNY and Seaview projects. The contract and other expenses to The City decreased \$31 million as a result of both lower pass-through revenues recognized from the 42<sup>nd</sup> Street Development Project, due to the sale of certain 42<sup>nd</sup> Street properties by the City and less direct payment to the City in exchange for various project costs being absorbed by NYCEDC. These decreases were partially offset by an increase in property rentals and related operating expenses of \$9 million, reflective of higher property operating costs.

Accordingly, the Corporation recognized an operating loss of \$29 million during fiscal year 2015. This constitutes a decrease of \$60 million or 192% compared with fiscal year 2014.

**Non-operating Activities**

Due to damages caused by Superstorm Sandy (Note 20), the Corporation has participated in The City's overall remediation and clean-up effort. As a result, the Corporation has incurred unexpected and unusual expenses outside of the ordinary scope of the Corporation's business. NYCEDC received revenues and funding commitments from various sources in order to fully or partially offset expenses relating to the remediation, clean-up, and restoration effort. Non-operating revenues in the current fiscal year related to Superstorm Sandy totaled \$6.4 million, which included \$1.7 million of insurance proceeds and \$4.7 million of reimbursable grants from FEMA and the FTA. Non-operating expenses consisted of \$4 million for repairs and other costs related to Superstorm Sandy.

Accordingly, the Corporation recognized a decrease in net position of \$25 million during fiscal year 2015. This constitutes a decrease of \$52 million or 194% as compared with fiscal year 2014.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Prior Year**

During fiscal year 2014, operating revenues increased \$33 million or 4%, primarily due to increases of \$30 million in real estate sales and \$18 million in property rentals, partially offset by a \$16 million reduction in reimbursable grants. The increase in revenues for real estate sales is a result of closed transactions for Flushing Commons, Brooklyn Academy of Music ("BAM South"), and 110th Street. The increase in property rentals is a result of The City's and NYCEDC's interest in refinancing transactions at 42nd Street Development Projects and Brooklyn Renaissance Plaza of \$9.5 million and \$3 million, respectively. The revenue increase also reflected higher pass-through revenues to The City of \$7.8 million in PILOT funds from the 42nd Street Development Project.

Operating expenses during fiscal year 2014 decreased by \$3 million, primarily due to decreases of \$9 million in project and program costs and \$2 million in other general expenses. These cost reductions were partially offset by a \$7 million increase in property rentals and related operating expenses mainly reflecting the aforementioned increased revenue transfers to The City.

Accordingly, the Corporation recognized operating income of \$31 million during fiscal year 2014. This constitutes an increase of \$36 million or 675% compared with fiscal year 2013.

**Non-operating Activities**

Due to damages caused by Superstorm Sandy (Note 20), the Corporation participated in The City's overall remediation and clean-up effort. As a result, the Corporation incurred unexpected and unusual expenses outside of the ordinary scope of the Corporation's business. NYCEDC received revenues and funding commitments from various sources in order to fully or partially offset expenses relating to the remediation, clean-up, and restoration effort. Non-operating revenues in the current fiscal year related to Superstorm Sandy totaled to \$14 million, which includes \$11 million from insurance proceeds and \$3 million from reimbursable grants. Non-operating expenses consisted of \$19 million for emergency repairs and other costs related to Superstorm Sandy.

Accordingly, the Corporation recognized income of \$27 million during fiscal year 2014. This constitutes an increase of \$30 million or 881% as compared with fiscal year 2013.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Capital Assets**

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2015, 2014, and 2013 (dollars in thousands) and the percentage change between June 30, 2015 and 2014:

|   | <b>2015</b>      | <b>2014</b> | <b>2013</b> | <b>% Change<br/>2015-2014</b> |
|---|------------------|-------------|-------------|-------------------------------|
| Leasehold improvements                            | \$ 20,860        | \$ 14,018   | \$ 13,933   | 49%                           |
| Equipment and computer software                   | <b>8,556</b>     | 7,278       | 6,325       | 18%                           |
|   | <b>29,416</b>    | 21,296      | 20,258      | 38%                           |
| Less accumulated depreciation<br>and amortization | <b>(9,621)</b>   | (7,643)     | (5,643)     | 26%                           |
| Net capital assets                                | <b>\$ 19,795</b> | \$ 13,653   | \$ 14,615   | 45%                           |

**Contacting NYCEDC's Financial Management**

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Public Information Officer, New York City Economic Development Corporation, 110 William Street, New York, NY 10038.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Statements of Net Position

|  | June 30               |                       |
|--|-----------------------|-----------------------|
|  | 2015                  | 2014                  |
| <b>Assets</b>  |                       |                       |
| Current assets:  |                       |                       |
| Cash and cash equivalents – current  | \$ 106,288,765        | \$ 97,278,424         |
| Restricted cash and cash equivalents – current   | 118,442,022           | 118,850,364           |
| Investments  | 35,186,750            | 46,951,729            |
| Current portion of loans and mortgage notes receivable   | 4,173,198             | 11,105,755            |
| Accrued interest receivable from loans   | 159,623               | 219,928               |
| Due from The City, including \$176,282,752 and \$208,184,323, respectively,<br>under contracts with The City                               | 261,461,934           | 302,428,875           |
| Tenant receivables, net of allowance for uncollectible amounts of<br>\$19,650,628 and \$11,687,088, respectively                           | 44,673,613            | 49,355,518            |
| Prepaid expenses   | 2,326,413             | 1,142,974             |
| Other receivables  | 1,796,934             | 10,516,888            |
| Land deposits in escrow  | 1,158,000             | 2,558,000             |
| <b>Total current assets</b>  | <b>575,667,252</b>    | <b>640,408,455</b>    |
| Non-current assets:  |                       |                       |
| Restricted cash and cash equivalents   | 139,220,255           | 142,967,351           |
| Unrestricted investments   | 46,626,999            | 29,547,208            |
| Restricted investments   | 38,095,267            | 29,681,327            |
| Loans and mortgage notes receivable, less current portion (less allowance for loan<br>losses of \$1,071,522 and \$2,111,994, respectively) | 16,260,632            | 24,956,011            |
| Tenant receivables non-current   | 985,787               | 985,787               |
| Capital assets, net  | 19,795,131            | 13,652,668            |
| Land held for development, at cost   | 108,411,972           | 108,693,118           |
| Other assets   | 1,087,000             | 1,087,000             |
| <b>Total non-current assets</b>  | <b>370,483,043</b>    | <b>351,570,470</b>    |
| <b>Total assets</b>  | <b>946,150,295</b>    | <b>991,978,925</b>    |
| <b>Liabilities and net position</b>  |                       |                       |
| Current liabilities:   |                       |                       |
| Accounts payable and accrued expenses, including \$126,028,808 and<br>\$142,617,703, respectively, under contracts with The City           | 210,199,915           | 233,269,393           |
| Deposits received on pending sales of real estate  | 32,772,502            | 27,427,133            |
| Due to The City: real estate obligations and other   | 6,037,143             | 6,233,680             |
| Unearned revenue   | 39,667,022            | 33,967,133            |
| Other liabilities  | 4,054,413             | 1,727,837             |
| <b>Total current liabilities</b>   | <b>292,730,995</b>    | <b>302,625,176</b>    |
| Non-current liabilities:   |                       |                       |
| Tenant security and escrow deposits payable  | 32,583,944            | 19,946,339            |
| Obligation for other post-employment benefits  | 20,483,000            | 20,166,000            |
| Due to The City: real estate obligations   | 105,345,500           | 105,345,500           |
| Unearned revenue, including unearned grant revenue of \$24,135,570 and \$39,480,015,<br>respectively, under contracts with The City        | 125,323,604           | 149,908,594           |
| Retainage payable  | 43,302,917            | 42,663,460            |
| Other liabilities  | 630,686               | 307,223               |
| <b>Total non-current liabilities</b>   | <b>327,669,651</b>    | <b>338,337,116</b>    |
| <b>Total liabilities</b>   | <b>620,400,646</b>    | <b>640,962,292</b>    |
| Net position:  |                       |                       |
| Restricted by law or under various agreements  | 83,574,348            | 90,687,039            |
| Unrestricted   | 222,380,170           | 246,676,926           |
| Net investment in capital assets   | 19,795,131            | 13,652,668            |
| <b>Total net position</b>  | <b>\$ 325,749,649</b> | <b>\$ 351,016,633</b> |

See accompanying notes.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Statements of Revenues, Expenses, and Changes in Net Position

|  | <b>Year Ended June 30</b> |                |
|--|---------------------------|----------------|
|  | <b>2015</b>               | <b>2014</b>    |
| Operating revenues:  |                           |                |
| Grants   | \$ 461,497,303            | \$ 595,237,188 |
| Property rentals   | 177,468,390               | 189,578,483    |
| Fee income   | 12,604,677                | 18,694,143     |
| Other income   | 58,919,788                | 23,522,395     |
| Real estate sales, net   | 2,873,236                 | 61,457,619     |
| Total operating revenues   | 713,363,394               | 888,489,828    |
| Operating expenses:  |                           |                |
| Project costs  | 145,247,088               | 139,227,670    |
| Program costs  | 365,782,448               | 473,814,333    |
| Property rentals and related operating expenses                          | 62,334,714                | 53,090,300     |
| Personnel services   | 48,394,052                | 46,341,827     |
| Office rent  | 7,187,615                 | 8,091,292      |
| Contract and other expenses to The City                                  | 94,582,710                | 125,872,455    |
| Other general expenses   | 18,497,163                | 11,052,493     |
| Total operating expenses   | 742,025,790               | 857,490,370    |
| Operating income (loss)  | (28,662,396)              | 30,999,458     |
| Non-operating revenues (expenses):                                       |                           |                |
| Income from investments  | 969,045                   | 1,116,686      |
| Reimbursable grants – Superstorm Sandy                                   | 4,743,950                 | 2,940,230      |
| Repairs and other expenses – Superstorm Sandy, net of insurance proceeds | (2,317,583)               | (8,042,901)    |
| Total non-operating revenues (expenses)                                  | 3,395,412                 | (3,985,985)    |
| Change in net position   | (25,266,984)              | 27,013,473     |
| Net position, beginning of year  | 351,016,633               | 324,003,160    |
| Net position, end of year  | \$ 325,749,649            | \$ 351,016,633 |

*See accompanying notes.*

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Statements of Cash Flow

|   | <b>Year Ended June 30</b> |                |
|---|---------------------------|----------------|
|   | <b>2015</b>               | <b>2014</b>    |
| <b>Operating activities</b>                               |                           |                |
| Real estate sales   | \$ 8,095,365              | \$ 63,568,943  |
| Property rentals  | 187,601,497               | 188,710,648    |
| Grants from The City                                      | 489,764,238               | 550,956,125    |
| Fee income  | 12,615,324                | 18,732,192     |
| Other income  | 58,583,785                | 19,842,292     |
| Project costs   | (147,150,218)             | (95,871,830)   |
| Program costs   | (391,088,909)             | (511,373,559)  |
| Property rentals and related operating expenses           | (61,424,767)              | (51,845,296)   |
| Utility expenses  | (259,215)                 | (223,813)      |
| Personnel services  | (47,675,025)              | (46,376,603)   |
| Office rent   | (7,187,615)               | (8,091,292)    |
| Contract and other expenses to The City                   | (94,706,643)              | (125,646,412)  |
| Other general and administrative expenses                 | (8,126,056)               | (10,059,392)   |
| Repayments of loans and mortgage receivable               | 17,708,820                | 1,589,417      |
| Tenant security and escrow deposits                       | 12,637,605                | (6,668,660)    |
| Insurance proceeds from Superstorm Sandy                  | 1,635,163                 | 11,270,221     |
| Reimbursable grants – Superstorm Sandy                    | 4,743,950                 | –              |
| Expenses paid for Superstorm Sandy                        | (3,952,746)               | (22,464,516)   |
| Other   | (7,479,837)               | (7,755,580)    |
| Net cash provided by (used in) operating activities       | 24,334,716                | (31,707,115)   |
| <b>Capital and related financing activities</b>           |                           |                |
| Purchase of capital assets                                | (8,120,106)               | (1,037,156)    |
| Net cash used in capital and related financing activities | (8,120,106)               | (1,037,156)    |
| <b>Investing activities</b>                               |                           |                |
| Sale of investments                                       | 132,138,449               | 126,171,463    |
| Purchase of investments                                   | (145,867,201)             | (150,512,784)  |
| Deposits on land  | 1,400,000                 | (500,000)      |
| Interest income   | 969,045                   | 1,116,685      |
| Net cash used in investing activities                     | (11,359,707)              | (23,724,636)   |
| Net increase (decrease) in cash and cash equivalents      | 4,854,903                 | (56,468,907)   |
| Cash and cash equivalents, beginning of year              | 359,096,139               | 415,565,046    |
| Cash and cash equivalents, end of year                    | \$ 363,951,042            | \$ 359,096,139 |



New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Statements of Cash Flow (continued)

|  | <b>Year Ended June 30</b> |                 |
|--|---------------------------|-----------------|
|  | <b>2015</b>               | <b>2014</b>     |
| <b>Reconciliation of operating (loss) income to net cash provided by (used in) operating activities</b>  |                           |                 |
| Operating loss (income)  | \$ (28,662,396)           | \$ 30,999,458   |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                           |                 |
| Depreciation and amortization  | 1,977,643                 | 2,011,639       |
| Net cash provided by non-operating activities  | 2,426,367                 | (5,114,670)     |
| Changes in operating assets and liabilities:   |                           |                 |
| Accrued interest receivable  | 60,305                    | (47,284)        |
| Due to/from The City   | 40,770,404                | (23,752,207)    |
| Other non-current assets   | 4,681,905                 | -               |
| Tenant receivables   | 7,536,515                 | (3,361,875)     |
| Prepaid expenses and other receivables   | 15,627,936                | (775,081)       |
| Loans and mortgage notes receivable  | 281,146                   | (6,968,035)     |
| Tenant security and escrow deposits payable  | 12,637,605                | (6,668,660)     |
| Accounts payable and accrued expenses  | (23,069,478)              | 5,784,055       |
| Deposits received on pending sales of real estate  | 5,345,369                 | 3,554,375       |
| Obligation for OPEB  | 317,000                   | 226,000         |
| Unearned grant revenue   | (18,885,101)              | (26,424,587)    |
| Retainage payable  | 639,457                   | (345,288)       |
| Other current liabilities  | 2,326,576                 | 49,566          |
| Other non-current liabilities  | 323,463                   | (874,521)       |
| Net cash provided by (used in) operating activities  | \$ 24,334,716             | \$ (31,707,115) |
| <b>Supplemental disclosures of non-cash activities</b>   |                           |                 |
| Unrealized loss on investments   | \$ (505,911)              | \$ (342,981)    |

*See accompanying notes.*

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2015

**1. Background and Organization**

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation (NYCEDC or the Corporation). Apple Industrial Development Corp. (Apple), formerly a component unit of NYCEDC, merged with and into NYCEDC on October 1, 2014.

NYCEDC is a not-for-profit corporation organized under the New York State (State) Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of The City of New York (The City) relating to attraction, retention and expansion of commerce and industry in The City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within The City and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided through two contracts with The City: the NYCEDC Master Contract and the NYCEDC Maritime Contract. These contracts and other related agreements with The City are herein referred to as the Contract Services.

The Corporation is the result of a merger that became effective on November 1, 2012 of NYCEDC, a local development corporation organized under section 1411 of the NPCL that was recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c)(3) of the IRC and as a wholly owned instrumentality of The City, and New York City Economic Growth Corporation (EGC), a not-for-profit corporation organized under the NPCL (but not under section 1411 thereof).

On June 5, 2014 and June 18, 2014, Apple's board of directors and members and NYCEDC's board of directors, respectively, voted to approve a merger of Apple into NYCEDC. The proposed merger was instituted in order to streamline the operations of the combined Apple and NYCEDC organization as well as increase efficiencies and reduce costs. The proposed merger was approved by the New York State Attorney General's Charities Bureau and the New York State Supreme Court. The merger became effective on October 1, 2014.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**1. Background and Organization (continued)**

In order to present the financial position and the changes in financial position of NYCEDC's rental portfolio in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreement with The City and other third parties, NYCEDC classifies its operations into the following five portfolios:

*Commercial Leases Portfolio:* NYCEDC has been contracted to manage property leases between The City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. The leases also generally provide for minimum rentals plus provisions for additional rent.

*Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal (BAT) is an industrial property owned by The City that is leased to NYCEDC. Under the terms of the BAT lease, a reserve account of \$500,000 was established from net BAT revenues for property operating and capital expenses.

*Maritime Portfolio:* This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation and intermodal transportation properties on the City's behalf pursuant to the Contract Services.

*Other Properties Portfolio:* This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and The City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area. The net positions retained as of June 30, 2015 and 2014, were \$4,080,342 and \$3,825,086, respectively.

*42nd Street Development Project Portfolio:* This portfolio was established as a joint effort between The City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership for all the properties was transferred from the State to The City by October 31, 2012. Pursuant to agreements between the State, The City and NYCEDC, NYCEDC assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project. NYCEDC collects and remits substantially all rental revenues to The City pursuant to the agreement.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies**

**Basis of Accounting and Presentation**

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

**Recently Adopted Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting for pensions. It also improves information provided by employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard is reflected in footnote 14.

**Upcoming Accounting Pronouncements**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB No.69”). This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Corporation is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial statements for making decisions and assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Corporation is currently evaluating the impact this standard will have on the Corporation’s financial statements.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Corporation is currently evaluating the impact this standard will have on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB No.76"). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The Corporation is currently evaluating the impact this standard will have on its financial statements.

**Revenue and Expense Classification**

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to The City in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from and through The City, rentals of City-owned property, and sales of property (see Real Estate Sales under this note). NYCEDC's operating expenses include project and program costs, property rental charges, and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Grants**

NYCEDC administers certain reimbursement and other grant funds from and through The City under its contracts with The City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

NYCEDC records reimbursement grants from The City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from The City or as unearned revenue in the accompanying statements of net position.

Other grants are recorded as revenue when earned.

**Property Rental Revenue**

Property rental revenue is recognized on a straight-line basis over the term of the leases.

**Real Estate Sales**

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

Beginning in fiscal 1990, for sales of City-owned property in which NYCEDC has accepted a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Retainage Payable**

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

**Loans and Mortgage Notes Receivable**

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interest and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. In response to Superstorm Sandy, NYCEDC also partnered in establishing a portfolio for the Hurricane Emergency Loan Program (HELP) (Note 7), which is generally repayable over a three-year period. NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

**Restricted Cash and Investments**

Restricted cash and investments include amounts related to operations or programs administered on behalf of The City and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

**Capital Assets**

Capital asset purchases for internal use by NYCEDC in excess of \$10,000 and consisting primarily of leasehold improvements and equipment are capitalized and depreciated or amortized using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of the furniture and equipment varies from three to five years. Asset purchases for use in operations or at various properties have useful lives from 7 to 20 years.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

Disbursements made by NYCEDC on behalf of The City for, among other things, capital projects, tenant build-outs, and leasing commissions in connection with rental operations are reflected as expenses in the year they are incurred.

It is the Corporation's policy to record disposed assets as these are retired from use.

**Tax Status**

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC 115.

**Reclassifications**

Certain reclassifications have been reflected to the prior year financial statements to conform to the current year's presentation.

**3. Contracts With The City of New York**

**NYCEDC Master Contract**

The City and NYCEDC have entered into the NYCEDC Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within The City, including among others (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas (3) administering public loan, grant, and subsidy programs, (4) encouraging development of intrastate, interstate and international commerce, and (5) managing and maintaining certain City-owned properties.

In partial consideration of the services rendered by NYCEDC pursuant to the NYCEDC Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of The City, up to a contract cap. For fiscal years ended June 30, 2015 and 2014, net revenues generated from such sources amounted to \$61,736,588 and \$115,974,993, respectively. Income self-generated by NYCEDC, including interest earned on all



New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**3. Contracts With The City of New York (continued)**

cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by The City, may be retained by NYCEDC under the NYCEDC Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the NYCEDC Master Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds \$7,000,000. At the direction of The City, NYCEDC was required to remit \$39,119,126 and \$52,967,560 from its unrestricted net position in fiscal years 2015 and 2014, respectively, which are accounted for as contract and other expenses to The City in the statements of revenues, expenses and changes in net position.

The term of the NYCEDC Master Contract is one year commencing on July 1 and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limitations.

**NYCEDC Maritime Contract**

The City and NYCEDC have entered into the NYCEDC Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce. The services provided under this contract include (1) retaining maritime business and attracting maritime business to The City, (2) managing, developing, maintaining, and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the NYCEDC Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program (Note 11). In consideration of the services rendered by NYCEDC pursuant to the NYCEDC Maritime Contract, The City has agreed to pay NYCEDC for all costs incurred in the furtherance of The City's objectives under this contract, to the extent such costs have been provided for in The City-approved budget (the Budget) as called for by the NYCEDC Maritime Contract. Any Reimbursable Expenses, as defined in the NYCEDC Maritime Contract, may be retained by NYCEDC out of the net revenues generated on The City's behalf, to the extent such expenses are

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**3. Contracts With The City of New York (continued)**

not provided for in the Budget (the Reimbursed Amount). For the fiscal years ended June 30, 2015 and 2014, the Reimbursed Amount was \$15,693,189 and \$28,302,460, respectively. Net revenues generated on The City's behalf for services under the NYCEDC Maritime Contract in excess of the Reimbursed Amount must be remitted to The City on a periodic basis. The operations covered by the NYCEDC Maritime Contract generated approximately \$16,718,000 in net revenues in both fiscal years 2015 and 2014.

Pursuant to section 9.06 of the NYCEDC Maritime Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds \$7,000,000.

At the direction of The City, NYCEDC was required to remit \$16,718,000 for each of fiscal years 2015 and 2014, pursuant to the NYCEDC Maritime Contract, and such amounts are included in the accompanying statements of revenues, expenses and changes in net position under contract and other expenses to The City. The entire amounts required were remitted by June 30, 2015 and 2014, respectively.

The term of the NYCEDC Maritime Contract is one year commencing on July 1, and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limits.

**Other Agreements**

In addition, NYCEDC remits to The City rental amounts collected from the 42nd Street Development Project. Until fiscal year 2014 NYCEDC also collected and remitted rental payments from the Times Square Marriott Marquis. The amounts remitted from these sources for fiscal year 2015 and fiscal year 2014 were \$39 million and \$64 million, respectively.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**4. Grants**

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2015, grant revenue was \$466,241,253, of which \$450,551,195 comprised reimbursement grants from and through The City. For the year ended June 30, 2014, grant revenue was \$598,177,418, of which \$572,093,185 comprised reimbursement grants from and through The City.

Grant revenue earned during fiscal year 2015 consists of \$461,497,303 for operating activities in the ordinary course of business, and \$4,743,950 related to reimbursement of Superstorm Sandy expenses from the Federal Emergency Management Agency (FEMA) and the Federal Transit Administration (FTA).

**5. Land Held for Development**

NYCEDC may purchase land to help achieve The City's and NYCEDC's redevelopment goals. During fiscal year 2010, NYCEDC purchased several parcels of land in Coney Island (Coney) to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was \$105.3 million, for which NYCEDC received capital funds from The City. Upon acquisition, NYCEDC assumed the management of several leases on the properties, which were in effect. In addition, NYCEDC leased certain acquired parcels in furtherance of the goals and vision for Coney. The terms of both the assumed leases and the leases created by NYCEDC end in 2027. NYCEDC may convey the site to The City, for nominal consideration, at any time. This amount is reflected as real estate obligations due to The City. Also included in land held for development is approximately \$3.1 million for other properties. No additional land purchases were made in fiscal year 2015 and 2014.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**6. Other Income**

The following table summarizes other income for the fiscal years ended June 30, 2015 and 2014:

|   | <b>2015</b>                 | <b>2014</b>                 |
|---|-----------------------------|-----------------------------|
| Tenant reimbursements                         | <b>\$ 10,165,212</b>        | \$ 6,759,550                |
| Developer contributions                       | <b>12,084,561</b>           | 3,785,449                   |
| Interest income from loans                    | <b>1,686,561</b>            | 1,200,024                   |
| Loan recovery income                          | <b>3,217,395</b>            | 911,037                     |
| Miscellaneous income - Brookdale campus bonds | <b>22,100,000</b>           | –                           |
| Miscellaneous income                          | <b>9,666,059</b>            | 10,866,335                  |
| Total   | <b><u>\$ 58,919,788</u></b> | <b><u>\$ 23,522,395</u></b> |

**7. Loans and Mortgage Notes Receivable**

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from The City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2015 and 2014, these mortgage notes totaled \$3,947,734 and \$14,570,974, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. These loans were made to borrowers whose business operations are likely to provide employment generation, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to The City. Collectively, the installment notes and loans form the Finance Programs.

Additionally, the Corporation, as the junior lender, partnered with Goldman Sachs, as the senior lender, to lend funds to New York Business Development Corporation (NYBDC), to enable NYBDC to establish and operate HELP, a loan program for certain businesses affected by Superstorm Sandy. The term of a HELP loan can be up to three years. The Corporation received \$4 million and \$1 million from New York City Industrial Development Agency (NYCIDA) and Build NYC Resource Corporation (Build NYC), respectively. At June 30, 2015 and 2014, the outstanding balance of this loan program was \$3 million and \$5 million, respectively.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**7. Loans and Mortgage Notes Receivable (continued)**

At June 30, 2015, the loan and mortgage notes portfolio consisted of 15 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2036.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows:

|  | <b>Principal<br/>Maturity</b> | <b>Interest</b> |
|--|-------------------------------|-----------------|
| Fiscal Year:                             |                               |                 |
| 2016                                     | \$ 4,173,198                  | \$ 765,339      |
| 2017                                     | 1,252,348                     | 603,574         |
| 2018                                     | 581,591                       | 590,365         |
| 2019                                     | 798,435                       | 666,626         |
| 2020                                     | 543,210                       | 554,963         |
| 2021–2025                                | 11,130,672                    | 1,558,267       |
| 2026–2030                                | 1,891,682                     | 223,989         |
| 2031–2035                                | 934,217                       | 2,502           |
| 2036                                     | 199,999                       | –               |
|  | 21,505,352                    | \$ 4,965,625    |
| Allowance for uncollectible amounts      | (1,071,522)                   |                 |
| Loans and mortgage notes receivable, net | \$ 20,433,830                 |                 |

NYCEDC's three largest loans in fiscal 2015 represent approximately 62% of its loan portfolio balance. The composition of the nine largest loans, comprising 97% of the entire portfolio, by industry type, at June 30, 2015, was as follows: real estate development 19% and other service 81%.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**8. Due to/From The City of New York**

NYCEDC is required to remit amounts to The City under the NYCEDC Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2015 and 2014, amounted to \$5,937,969 and \$6,007,638, respectively.

Pursuant to the various contracts with The City, NYCEDC recorded total grants from and through The City in the amount of \$450,551,195 and \$572,093,185 during fiscal years 2015 and 2014, respectively, of which \$176,282,752 and \$208,184,323 in capital funds were unpaid by The City as of June 30, 2015 and 2014, respectively. These unpaid amounts are included in the accompanying statements of net position as due from The City.

**9. Capital Assets**

Changes in capital assets for the years June 30, 2013 to June 30, 2015, consisted of the following:

|                           | June 30,<br>2013     | Additions/<br>Depreciation | Disposals   | June 30,<br>2014     | Additions/<br>Depreciation | Disposals   | June 30,<br>2015     |
|---------------------------|----------------------|----------------------------|-------------|----------------------|----------------------------|-------------|----------------------|
| Equipment                 | \$ 5,607,766         | \$ 868,887                 | \$ (12,000) | \$ 6,464,653         | \$ 1,094,891               | \$ -        | \$ 7,559,544         |
| Leasehold improvements    | 13,933,455           | 84,256                     | -           | 14,017,711           | 6,842,559                  | -           | 20,860,270           |
| Computer software         | 717,280              | 96,013                     | -           | 813,293              | 182,656                    | -           | 995,949              |
| Capital assets            | 20,258,501           | 1,049,156                  | (12,000)    | 21,295,657           | 8,120,106                  | -           | 29,415,763           |
| Less: Accumulated         |                      |                            |             |                      |                            |             |                      |
| Depreciation/amortization | (5,643,350)          | (2,011,639)                | 12,000      | (7,642,989)          | (1,977,643)                | -           | (9,620,632)          |
| Capital assets, net       | <u>\$ 14,615,151</u> | <u>\$ (962,483)</u>        | <u>\$ -</u> | <u>\$ 13,652,668</u> | <u>\$ 6,142,463</u>        | <u>\$ -</u> | <u>\$ 19,795,131</u> |

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2015 and 2014, were \$1,977,643 and \$2,011,639, respectively.

**10. Deposits and Investments**

**Deposits**

The bank balance of NYCEDC's cash deposits was \$185,148,185, of which \$10,907,080 was covered by federal depository insurance. The remaining balance was uncollateralized at June 30, 2015. Emergency funds on hand amounted to \$10,000 at June 30, 2015.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**10. Deposits and Investments (continued)**

**Investments**

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers acceptances. All investments are subject to certain limitations and conditions and are carried at fair value, except for certificates of deposit, which are valued at cost.

As of June 30, 2015 and 2014, the Corporation had the following investments. Investments maturities are shown for June 30, 2015, only (in thousands).

|   | Fair Value        |                   | Investment Maturities<br>at June 30, 2015 in Years |                  |
|---|-------------------|-------------------|--|------------------|
|   | 2015              | 2014              | Less than 1  | 1 to 7           |
| Money market and mutual funds                 | \$ 166,449        | \$ 26,198         | \$ 166,449   | \$ –             |
| Money market deposit account                  | 5,358             | 22,236            | 5,358  | –                |
| FHLB notes                                    | 42,721            | 21,120            | 19,033   | 23,688           |
| FHLMC notes                                   | 44,202            | 34,223            | 18,115   | 26,087           |
| Commercial paper                              | 1,999             | 26,490            | 1,999  | –                |
| FFCB notes                                    | 12,943            | 13,933            | 11,078   | 1,865            |
| FNMA notes                                    | 17,124            | 16,262            | 9,964  | 7,160            |
| Certificates of deposit and other             | 920               | 2,650             | 920  | –                |
|   | <u>291,716</u>    | 163,112           | <u>\$ 232,916</u>                                  | <u>\$ 58,800</u> |
| Less amount classified as<br>cash equivalents | <u>(171,807)</u>  | (56,932)          |  |                  |
| Total investments                             | <u>\$ 119,909</u> | <u>\$ 106,180</u> |  |                  |

At June 30, 2015 and 2014, cash, cash equivalents and investments of \$295,757,544 and \$291,499,042, respectively, were restricted for use in connection with designated programs of NYCEDC.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**10. Deposits and Investments (continued)**

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

*Credit Risk* – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2015, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch Ratings). Money market and mutual funds are not rated by these agencies.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Corporation.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2015, the Corporation was not subject to custodial credit risk.



New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**10. Deposits and Investments (continued)**

*Concentration of Credit Risk* – The Corporation places no limit on the amount the Corporation may invest in any one issuer. The following table shows investments that represent 5% or more of total investments as of June 30, 2015 and 2014 (dollars in thousands).

| <u>Issuer</u>                    | <u>Dollar Amount and Percentage of Total Investments</u> |        |                      |        |
|----------------------------------|--|--------|----------------------|--------|
|                                  | <u>June 30, 2015</u>                                     |        | <u>June 30, 2014</u> |        |
| Federal Home Loan Mortgage Corp. | \$ 44,202  | 36.86% | \$ 34,223            | 32.23% |
| Federal Home Loan Bank           | 42,721   | 35.63  | 21,120               | 19.89  |
| Federal National Mort. Assoc.    | 17,124   | 14.28  | 16,262               | 15.32  |
| Federal Farm Credit Bank         | 12,943   | 10.79  | 13,933               | 13.12  |

**Investment Income**

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to \$969,045 and \$1,116,686 for the fiscal years ended June 30, 2015 and 2014, respectively.

**11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City**

NYCEDC is contracted by The City to manage and maintain properties on behalf of The City, including certain City-owned properties that are leased to NYCEDC. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. All managed leases generally provide for minimum rentals plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City  
(continued)**

The future minimum rental income as of June 30, 2015, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows:

| Fiscal Year | Minimum Rental<br>Income From<br>BAT Tenants | Minimum Rental<br>Income From<br>Commercial<br>Tenants | Minimum<br>Rental Income<br>From Maritime<br>Tenants | Minimum Rental<br>Income from 42nd<br>St Development<br>Proj. Tenants | Minimum Rental<br>Income From<br>Other Tenants | Total           |
|-------------|--|--|--|---|--|-----------------|
| 2016        | \$ 18,121,284                                | \$ 17,144,478  | \$ 36,991,861  | \$ 3,577,005  | \$ 79,561                                      | \$ 75,914,189   |
| 2017        | 14,814,453                                   | 16,116,501   | 35,472,424   | 3,577,005   | –  | 69,980,383      |
| 2018        | 11,477,980                                   | 15,916,465   | 34,428,215   | 3,577,005   | –  | 65,399,665      |
| 2019        | 9,934,834                                    | 15,675,994   | 33,108,899   | 3,577,005   | –  | 62,296,732      |
| 2020        | 8,722,607                                    | 14,278,531   | 31,845,024   | 3,577,005   | –  | 58,423,167      |
| 2021 – 2025 | 20,489,950                                   | 62,911,923   | 149,586,304  | 17,885,025  | –  | 250,873,202     |
| 2026 – 2030 | 4,301,395                                    | 58,491,481   | 114,033,355  | 17,885,025  | –  | 194,711,256     |
| 2031 – 2035 | 4,148,200                                    | 55,749,727   | 80,301,980   | 17,885,025  | –  | 158,084,932     |
| 2036 – 2040 | 4,148,200                                    | 50,926,697   | 53,460,158   | 17,885,025  | –  | 126,420,080     |
| 2041 – 2045 | 4,148,200                                    | 41,342,653   | 37,622,065   | 17,885,025  | –  | 100,997,943     |
| Thereafter  | 7,121,077                                    | 290,373,832  | 94,434,571   | 190,868,377   | –  | 582,797,857     |
| Total       | \$ 107,428,180                               | \$ 638,928,282   | \$ 701,284,856                                       | \$ 298,178,527  | \$ 79,561                                      | \$1,745,899,406 |

The thereafter category includes 38 leases with expiration dates between July 1, 2044 and December 31, 2100.

**12. Future Tenant Receivables**

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is \$50,552,869, of which \$31,129,505 is for Jay Street (One Metrotech Center), \$7,704,373 is for Bridge Street (Two Metrotech Center), \$6,971,204 is for Tech Place (11 Metrotech Center) and \$3,762,000 is for Myrtle Avenue (Nine Metrotech Center). These receivables will be paid over a 20-year period and will be recognized to revenue over the life of the agreements.

Additionally, pursuant to a lease amendment with the Hunts Point Cooperative Market, tenant receivables in arrears totaling \$985,787 were deferred to be paid over a 20-month period beginning in February 2017.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**13. 42nd Street Development Project**

The 42nd Street Development Project (the Project) was conceived in the 1980s to transform the properties in the 42nd Street area between 7th and 8th Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of The City. By October 2012, all title to the properties, that comprise the Project, transferred from the State to The City.

For all periods after January 1, 2011, NYCEDC, in accordance with section 11.05 of the NYCEDC Master Contract, is to transfer to The City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collects on the Project, other than \$1 million per fiscal year. NYCEDC is permitted to keep the \$1 million pursuant to section 3.07 of the Master Contract for its administrative services.

**14. Pension Plan**

NYCEDC maintains a 401(a) defined contribution pension plan, which covers substantially all full time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 14% of the employees' eligible wages, as defined in the IRC. NYCEDC employees receive a non-matching contribution in the amount of 6% of wages at the beginning of the 3rd year of employment. This amount increases to 12% at the beginning of the 5th year of employment and 14% at the beginning of the 7th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal years ended June 30, 2015 and 2014, amounted to \$3,103,921 and \$3,101,319, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

As of July 14, 2014, Apple employees became employees of NYCEDC. Apple's 401(a) and 403(b) plans were frozen, and the former Apple employees joined the existing NYCEDC 401 (a) and 457 plans.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**15. Postemployment Benefits Other Than Pensions**

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for Other Post-Employment Benefits (OPEB), this plan was amended during February 2011 with an effective date of July 1, 2011. The amendment includes revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. As a result of the amendment, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart NYCEDC, and (iii) all active employees who started working prior to January 1, 2011, and will meet the benefit eligibility requirement of age 60 or older with at least 10 years of service by June 30, 2023 and retire on or before June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

Benefit provisions and contribution requirements for the plan are established and amended through NYCEDC's Board of Directors and there is no statutory requirement for NYCEDC to continue this plan for future NYCEDC employees. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of \$50 a month for single coverage and \$100 a month for family coverage. Under the High option, retiree contributions are \$100 a month for single coverage and \$200 a month for family. Additional costs may be incurred by the retiree under either the Low or High plan version. At June 30, 2015 and 2014, there were 28 and 26 retirees, respectively receiving benefits, all under the Low version of the plan. Employer contributions are made on a pay-as-you-go basis.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**15. Postemployment Benefits Other Than Pensions (continued)**

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Annual required contribution            | \$ 2,496    | \$ 2,236    |
| ARC adjustment                          | (2,424)     | (2,398)     |
| Interest on net OPEB obligation         | 706         | 698         |
| Annual OPEB cost                        | 778         | 536         |
| Contributions made                      | (461)       | (310)       |
| Increase in net OPEB obligation         | 317         | 226         |
| Net OPEB obligation – beginning of year | 20,166      | 19,940      |
| Net OPEB obligation – end of year       | \$ 20,483   | \$ 20,166   |

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 were as follows (dollars in thousands):

| <b>Fiscal Year Ended</b> | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of<br/>Annual OPEB Cost<br/>Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
|--------------------------|-----------------------------|---|--------------------------------|
| <b>June 30, 2015</b>     | \$ 778                      | 59.25%  | \$ 20,483                      |
| June 30, 2014            | 536                         | 57.88   | 20,166                         |
| June 30, 2013            | 481                         | 67.78   | 19,940                         |

The actuarial valuation date is June 30, 2014. The actuarial accrued liability for benefits as of this date was \$28,471,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$37,971,681 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 75%.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**15. Postemployment Benefits Other Than Pensions (continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2014.

For the June 30, 2014 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare and grading down to an ultimate rate of 4.5% for both. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis. The remaining amortization period at June 30, 2015, was 25 years.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**16. Other Related-Party Transactions**

**New York City Land Development Corporation (LDC)**

On May 8, 2012, The City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of assisting The City with leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2015 and 2014, \$20,032 and \$19,582, respectively, was provided to LDC for such expenses.

**New York City Industrial Development Agency (IDA)**

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2015 and 2014, NYCEDC earned management fee income from IDA of \$4,552,117 and \$6,052,117, respectively. In fiscal year 2015, a contingency fee of \$45,920 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2015 and 2014, the amounts due from IDA totaled \$381,260 and \$870,829, respectively.

**Build NYC Resource Corporation (Build NYC)**

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For the fiscal years ended June 30, 2015 and 2014, NYCEDC earned management fee income from Build NYC of \$1,500,000 and \$80,000, respectively.

**The Trust for Cultural Resources of New York City (TCR)**

Pursuant to an agreement between NYCEDC and The Trust for Cultural Resources of New York City (TCR), NYCEDC collected fees from TCR for management services. For both fiscal year ended June 30, 2015 and 2014, NYCEDC earned management fees of \$310,000 from TCR.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**17. Commitments and Contingencies**

NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2015, required under the operating lease are as follows:

|                 |                      |
|-----------------|----------------------|
| Fiscal year:    |                      |
| 2016            | \$ 6,924,636         |
| 2017            | 7,599,491            |
| 2018            | 7,599,491            |
| 2019            | 6,966,200            |
| 2020 (2 months) | 1,266,582            |
|                 | <u>\$ 30,356,400</u> |

Rent expense for office space amounted to \$7,187,615 and \$8,091,292 for fiscal years ended June 30, 2015 and 2014, respectively.

NYCEDC, and in certain situations as co-defendant with The City, IDA, Build NYC and/or LDC, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC or the borrower) for renovation of the New Amsterdam Theatre. The principal loan amount of \$25,560,278 was evenly disbursed by the trustees and matures on January 31, 2027. Interest on



New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**17. Commitments and Contingencies (continued)**

the loan ranges between 3% and 3.5%. NYCEDC's portion of the loan, \$12,780,139, was reimbursed to NYCEDC by The City. The conduit loan payment constitutes both a receivable from NADC and a payable to The City. For financial statement purposes, both receivables and payables are netted against each other and are not presented separately.

The Corporation's Finance Program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for The City. In this regard, NYCEDC acts as a guarantor under two loan guarantee programs: the NYC Capital Access Revolving Loan Guarantee Program and the Immigrant Bridge Loan Fund. The loan guarantee programs enable qualified businesses to gain access to bank loans or lines of credit. NYCEDC guarantees can be up to 35% of the loan amount. As of June 30, 2015, the Corporation's aggregate commitment for these programs is \$5.5 million, of which \$2 million is currently outstanding and can be called upon.

**18. Risk Management**

NYCEDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks. Settled claims resulting from losses to Superstorm Sandy amounted to \$1.6 million in this fiscal year. The insurance proceeds were received by NYCEDC (Note 20). Settlements, other than Superstorm Sandy-related claims, have not exceeded coverage for each of the past three fiscal years.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**19. Net Position**

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the NYCEDC Master Contract and the NYCEDC Maritime Contract) or by law. The unrestricted net position includes all net position not included above. The NYCEDC Master Contract and the NYCEDC Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

**Changes in Net Position**

The changes in net position during fiscal years 2015 and 2014 are as follows:

|                                     | <b>Restricted</b>    | <b>Unrestricted</b>   | <b>Net Investment<br/>in Capital<br/>Assets</b> | <b>Total</b>          |
|-------------------------------------|----------------------|-----------------------|---|-----------------------|
| Net position, June 30, 2013         | \$ 93,271,067        | \$ 216,116,942        | \$ 14,615,151                                   | \$ 324,003,160        |
| (Decrease) increase in net position | (2,584,028)          | 29,597,501            | -   | 27,013,473            |
| Capital assets additions            | -                    | (1,049,156)           | 1,049,156                                       | -                     |
| Retirements/depreciation            | -                    | 2,011,639             | (2,011,639)                                     | -                     |
| Net position, June 30, 2014         | 90,687,039           | 246,676,926           | 13,652,668                                      | 351,016,633           |
| (Decrease) increase in net position | <b>(7,112,691)</b>   | <b>(18,154,293)</b>   | <b>8,120,106</b>                                | <b>(25,266,984)</b>   |
| Capital assets additions            | -                    | <b>(8,120,106)</b>    | <b>8,120,106</b>                                | -                     |
| Retirements/depreciation            | -                    | <b>1,977,643</b>      | <b>(1,977,643)</b>                              | -                     |
| Net position, June 30, 2015         | <b>\$ 83,574,348</b> | <b>\$ 222,380,170</b> | <b>\$ 19,795,131</b>                            | <b>\$ 325,749,649</b> |

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

**20. Superstorm Sandy**

Superstorm Sandy (Sandy) made landfall in New York City on October 29, 2012. The severe and widespread water and wind damage affected many individuals, businesses and organizations. Many City assets that are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the NYCEDC Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean up, and restore these properties to pre-storm conditions. Sandy-related expenses were recorded as non-operating expenses. For the years ended June 30, 2015 and 2014, these expenses totaled \$3,952,746 and \$19,313,122, respectively. Property and flood insurance coverage were in effect for certain properties, and claim payments were received from insurers and recorded as non-operating revenues totaling \$1,635,163 and \$11,270,221 for the years ended June 30, 2015 and 2014, respectively. Additional non-operating revenues of \$4,743,950 and \$2,940,230 for years ended June 30, 2015 and 2014, respectively, have been recognized pursuant to federal reimbursable grants from the FTA and FEMA.

|                                       | Years Ended June 30   |               | From<br>October 29, 2012<br>To June 30, 2015 |
|---------------------------------------|-----------------------|---------------|--|
|                                       | 2015                  | 2014          | Total  |
| Repairs and<br>other expenses – Sandy | \$ 3,952,746          | \$ 19,313,122 | \$ 43,220,402                                |
| Less: Insurance proceeds              | (1,635,163)           | (11,270,221)  | (30,048,193)                                 |
|                                       | <b>2,317,583</b>      | 8,042,901     | 13,172,209                                   |
| Less: Reimbursable grants-FEMA        | (4,149,757)           | (1,166,891)   | (5,985,594)                                  |
| Less: Reimbursable grants-FTA         | (594,193)             | (1,773,339)   | (6,128,497)                                  |
| Less: Reimbursable grants-State       | -                     | -             | (16,285)                                     |
| Net Sandy-related (income) expenses   | <b>\$ (2,426,367)</b> | \$ 5,102,671  | \$ 1,041,833                                 |

## Required Supplementary Information

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Schedule of Funding Progress for the Retiree Health Care Plan  
(Dollars in Thousands)

| Actuarial<br>Valuation Date     | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued Liability<br>(AAL) – Level<br>Dollar (b) | Unfunded AAL<br>(UAAL) (b-a) | Funded<br>Ratio (a/b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll (b-a)/c |
|---------------------------------|-------------------------------------|---|------------------------------|-----------------------|------------------------|--|
| June 30, 2014 <sup>(2)</sup>    | \$ –                                | \$ 28,471   | \$ 28,471                    | –%                    | \$ 37,972              | 75.0%  |
| June 30, 2012 <sup>(2)</sup>    | –                                   | 23,502  | 23,502                       | –%                    | 35,243                 | 66.7%  |
| June 30, 2010 <sup>(1)(2)</sup> | –                                   | 23,960  | 23,960                       | –%                    | 34,542                 | 69.4%  |

<sup>(1)</sup> Effective July 1, 2012, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the AAL.

<sup>(2)</sup> For the June 30, 2014, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the June 30, 2012, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0%, grading down to an ultimate rate of 5.0%.

## Supplementary Information

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Combining Statement of Revenues, Expenses, and Changes in Net Position

|  | Unrestricted   | Restricted    |              |                  |                  |                  |                          |               |                   | Year Ended June 30 |                |                |
|--|----------------|---------------|--------------|------------------|------------------|------------------|--------------------------|---------------|-------------------|--------------------|----------------|----------------|
|  |                | Brooklyn Army | Maritime     | Other Properties | Finance Programs | Capital Programs | Public Purpose and Other | CDBG          | Apple 42nd Street | Total Restricted   | 2015           | 2014           |
| Operating revenues:                                    |                |               |              |                  |                  |                  |                          |               |                   |                    |                |                |
| Grants   | \$ 65,002,496  | \$ –          | \$ –         | \$ –             | \$ –             | \$ 365,598,448   | \$ –                     | \$ 30,896,359 | \$ –              | \$ 396,494,807     | \$ 461,497,303 | \$ 595,237,188 |
| Property rentals                                       | 37,033,135     | 21,082,512    | 69,045,390   | 4,907,231        | –                | –                | –                        | –             | 45,400,122        | 140,435,255        | 177,468,390    | 189,578,483    |
| Fee income   | 11,464,352     | 87,327        | 50,839       | 3,110            | –                | –                | 4,000                    | –             | 995,049           | 1,140,325          | 12,604,677     | 18,694,143     |
| Other income   | 31,131,202     | 4,455,478     | 7,142,273    | 56,362           | 845,950          | –                | 12,093,521               | –             | 3,195,002         | 27,788,586         | 58,919,788     | 23,522,395     |
| Real estate sales, net                                 | 2,873,236      | –             | –            | –                | –                | –                | –                        | –             | –                 | –                  | 2,873,236      | 61,457,619     |
| Total operating revenues                               | 147,504,421    | 25,625,317    | 76,238,502   | 4,966,703        | 845,950          | 365,598,448      | 12,097,521               | 30,896,359    | 49,590,173        | 565,858,973        | 713,363,394    | 888,489,828    |
| Operating expenses:                                    |                |               |              |                  |                  |                  |                          |               |                   |                    |                |                |
| Project costs  | 96,432,219     | –             | –            | –                | –                | –                | 19,282,273               | 29,532,596    | –                 | 48,814,869         | 145,247,088    | 139,227,670    |
| Program costs  | –              | –             | –            | –                | 184,000          | 365,598,448      | –                        | –             | –                 | 365,782,448        | 365,782,448    | 473,814,333    |
| Property rentals and related operating expenses        | 6,952,606      | 11,742,896    | 34,572,446   | 4,655,623        | –                | –                | –                        | –             | 4,411,143         | 55,382,108         | 62,334,714     | 53,090,300     |
| Personnel services                                     | 26,109,482     | 854,546       | 19,722,943   | –                | 130,275          | –                | 213,917                  | 1,362,889     | –                 | 22,284,570         | 48,394,052     | 46,341,827     |
| Office rent  | 7,187,615      | –             | –            | –                | –                | –                | –                        | –             | –                 | –                  | 7,187,615      | 8,091,292      |
| Contract and other expenses to The City                | 39,119,126     | –             | 16,718,140   | 30,636           | –                | –                | –                        | –             | 38,714,808        | 55,463,584         | 94,582,710     | 125,872,455    |
| Other general expenses                                 | 8,919,866      | 105,787       | 5,229,290    | 26,102           | 29,189           | –                | 806,098                  | 874           | 3,379,957         | 9,577,297          | 18,497,163     | 11,052,493     |
| Total operating expenses                               | 184,720,914    | 12,703,229    | 76,242,819   | 4,712,361        | 343,464          | 365,598,448      | 20,302,288               | 30,896,359    | 46,505,908        | 557,304,876        | 742,025,790    | 857,490,370    |
| Operating income (loss)                                | (37,216,493)   | 12,922,088    | (4,317)      | 254,342          | 502,486          | –                | (8,204,767)              | –             | 3,084,265         | 8,554,097          | (28,662,396)   | 30,999,458     |
| Non-operating revenues (expenses):                     |                |               |              |                  |                  |                  |                          |               |                   |                    |                |                |
| Income from investments                                | 609,798        | –             | 4,317        | 914              | 251,472          | –                | 82,862                   | –             | 19,682            | 359,247            | 969,045        | 1,116,686      |
| Grants – Superstorm Sandy                              | 4,743,950      | –             | –            | –                | –                | –                | –                        | –             | –                 | –                  | 4,743,950      | 2,940,230      |
| Repairs and Other – Superstorm Sandy, net of insurance | (2,317,583)    | –             | –            | –                | –                | –                | –                        | –             | –                 | –                  | (2,317,583)    | (8,042,901)    |
| Total non-operating revenues (expenses)                | 3,036,165      | –             | 4,317        | 914              | 251,472          | –                | 82,862                   | –             | 19,682            | 359,247            | 3,395,412      | (3,985,985)    |
| Income (loss) before transfers                         | (34,180,328)   | 12,922,088    | –            | 255,256          | 753,958          | –                | (8,121,905)              | –             | 3,103,947         | 8,913,344          | (25,266,984)   | 27,013,473     |
| Interfund transfers                                    | 16,026,035     | (12,922,088)  | –            | –                | –                | –                | –                        | –             | (3,103,947)       | (16,026,035)       | –              | –              |
| Change in net position                                 | (18,154,293)   | –             | –            | 255,256          | 753,958          | –                | (8,121,905)              | –             | –                 | (7,112,691)        | (25,266,984)   | 27,013,473     |
| Net position, beginning of year                        | 260,329,594    | 500,000       | 7,000,000    | 3,825,086        | 55,168,572       | 3,512,072        | 20,681,309               | –             | –                 | 90,687,039         | 351,016,633    | 324,003,160    |
| Net position, end of year                              | \$ 242,175,301 | \$ 500,000    | \$ 7,000,000 | \$ 4,080,342     | \$ 55,922,530    | \$ 3,512,072     | \$ 12,559,404            | \$ –          | \$ –              | \$ 83,574,348      | \$ 325,749,649 | \$ 351,016,633 |

# Government Auditing Standards Section



Report of Independent Auditors on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the  
Financial Statements Performed in Accordance  
With *Government Auditing Standards*

The Management and the Board of Directors  
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NYCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCEDC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

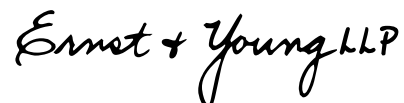
As part of obtaining reasonable assurance about whether NYCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **NYCEDC's Response to Findings**

NYCEDC's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. NYCEDC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 30, 2015

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Schedule of Findings and Responses

Year Ended June 30, 2015

**Finding 2015-001 Tenant Revenue Straight-line calculation**

Criteria or Specific Requirement:

NYCEDC (“EDC”) is responsible for maintaining a process that provides for the accurate calculation, recording and reporting of lease revenue in its financial statements.

Condition/Context:

In accordance with Government Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, if rental income varies from the straight-line basis, the revenue should be recognized on a straight-line basis unless another systematic and rational basis is more representative. EDC’s lease database is programmed to automatically perform the monthly straight-line calculation for all leases and record a straight-line adjustment to the lease receivable balance for the difference between amounts billed per the lease agreement and the revenue to be recognized. In order for the system to properly perform the straight-line calculation, all relevant terms of the lease and any subsequent amendments must be input into the system in a timely and accurate manner.

While testing EDC’s lease revenue process, we noted 3 leases in our sample of 25 where the lease terms, including start date and scheduled lease payments, were not properly entered into the lease system, Management Reports Incorporated (MRI) accounting application as follows:

- One instance where a lease agreement milestone that affects future lease terms was met by the tenant in 2011, but the MRI application was not reflected to show this.
- One instance where the lease start date in the MRI application was not in agreement with the signed lease agreement.
- One instance where the timing of future rent increases for a new 2015 lease agreement were entered incorrectly into the MRI application.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Schedule of Findings and Responses (continued)

Effect:

As a result of the discrepancies between the lease agreements and data entered into MRI, revenue recognized under the straight-line basis of accounting was overstated by a cumulative amount of \$8.4 million the period from FY 2011 through 2014. These discrepancies had no impact on the billings or cash collections from the tenants during this period as the straight-line adjustment is solely an entry to conform with Generally Accepted Accounting Principles (GAAP). Management has corrected these items for the 2015 financial statements.

Cause:

Revisions to lease terms were not communicated timely by members of EDC's Asset Management Department (AM) to the Accounting department (Accounting). Additionally, lease terms entered into MRI were not properly reviewed for accuracy.

Recommendation:

As AM has a thorough understanding and real-time information regarding ongoing lease transactions, AM should regularly brief Accounting (e.g. monthly or quarterly) as to the status of lease matters. AM should also provide complete documentation to Accounting, on a timely basis, to enable Accounting to determine if there are any matters that would require additional accounting recognition or disclosures in the financial statements. The Accounting department should continue to strengthen its review process relating to data entered into MRI for consistency with lease agreements. Prior to the performance of our FY2015 audit, Management recognized the importance of improving the lease administration process and therefore engaged the services of a third party consultant to review EDC's lease process. This consultant issued their report during January 2015 to Management. Management has already taken steps to address the consultant's recommendations which include the formation of a lease administration task force to implement strategies for best practices and strengthen controls related to this area.

View of Responsible Officials and Planned Corrective Action:

Prior to this audit, and as the audit finding notes, senior leadership within AM, Finance and EDC executive management (Management) have been actively focused on strengthening the entire area of lease administration. As part of a proactive strategy to identify and implement best practices within the administration of commercial leases, Management enlisted the services of an independent accounting firm which specializes in commercial real estate. Management partnered with the consultant to develop a comprehensive assessment of EDC's existing processes and practices in order to identify gaps or deficiencies to be addressed. The consultant's report was the result of over 100 hours of input and dozens of interviews of EDC staff relevant to the management of lease administration.

New York City Economic Development Corporation  
(A Component Unit of The City of New York)

Schedule of Findings and Responses (continued)

The underlying causes for the deficiencies noted in the current audit: a) a lapse in timely internal communications (\$8 million), and b) inaccurate data input in MRI (\$.4 million) were identified and thoroughly covered by the consultant's assessment. In response to the assessment, Management has developed an action plan which, in part, includes the following steps:

- Established a multi-departmental taskforce to strengthen process controls and implement best practice strategies.
- Convened monthly working meetings with relevant groups to improve timely communications and discuss new pending leases and the associated departmental impacts.
- Expand the capabilities of the MRI system as configured, and train staff accordingly.
- Comprehensive clean-up of the MRI database
- Enhance the accuracy of MRI Profile input which will include signoffs by Accounting for input of new lease information, and by AM for review of input with communication when complete.
- In conjunction with EDC's MIS group, customize existing software applications to better assist the monitoring of tenant obligations under the leases.

Management expects to implement each of the above measures during fiscal year 2016 with only the MRI database clean-up and customization extending beyond the fiscal year-end.

